

## Chapter 1 – Consumer Behaviour and Marketing Strategy

Marketing strategy – the combination of product, price, distribution and promotion most suited to a particular group of consumers

Consumer behaviour - a discipline dealing with how and why consumers purchase (or do not purchase) goods and services

- Recognition of the usefulness of understanding consumer behaviour (i.e. to plan and manage the dynamic marketing environment) means marketing researchers find out things such as:
  - What consumers think of a company’s products and those of competitors
  - What they think of possible improvements in these products
  - How they use these products
  - What attitudes they have about these products and related advertising
  - What they feel about their ‘roles’ in the family and society
  - What their hopes and dreams are for themselves and their families

Customer value – the difference between all the benefits derived from a total product and all the costs of acquiring those benefits.

- To maintain competitiveness, customer value provided to target market must be higher than competitors
- To do so, companies must anticipate and react to customer needs faster and better than competitors


Market segmentation – the basis of most marketing strategies, it involves identifying consumer groups with unique needs and/or purchasing processes, and developing specific marketing programs targeted at individual groups

- Benefit segmentation – focusing on particular outcomes consumers seek from using a product

Positioning – the way a product or brand compares to its competitors, as perceived by consumers

- Can be based off real or perceived product advantages
- Analysis of positioning template
  - Location, service, merchandise, price, parking, return policy, credit etc.

Importance to consumers

Extremely important			
Very important			
Important			
Worse <span style="margin-left: 150px;">Same</span> <span style="margin-left: 150px;">Better</span> 			

- Shows a company:
  - What attributes are critical
  - Where it stands with these critical attributes in comparison to the competition
  - The degree to which different segments of the consumer market share the same perceptions

Global marketing – a form of international marketing that aims to target particular consumer segments, regardless of where they are located in the world, using standardised marketing mixes

Marketing mix – the combination of product, price, distribution and promotion that result in product position within a selected market

- Aims to solve a consumer problem with this mix

Consumer behaviour audit – a systematic review of all the important aspects of consumer behaviour

- Organized around key decisions made by marketing managers
  - 1. Selection of target market
  - 2. Determine viable product position
  - 3. Marketing mix elements structured for consistency with above product position

Consumerism – the evolving activities of governments, businesses, independent organisations and concerned consumers aimed at protecting and enhancing the rights of consumers

Consumer decision process:

- Situation
  - Problem recognition
  - Information search
  - Evaluation and selection
  - Store choice and purchase
  - Post purchase processes

Consumer decision process for high to low involvement purchase:

<b>Stage in decision process</b>	<b>Low involvement purchase decision</b>	<b>High involvement purchase decision</b>
Problem recognition	Trivial to minor	Important and personally meaningful
Information search	Internal to limited external search	Extensive search
Alternative evaluation	Few alternatives evaluated on few performance criteria	Many alternatives considered using many performance criteria
Store choice, purchase	One stop shopping where substitution is very possible	Multiple store visits with substitution less likely
Post purchase activities	Simple evaluation of performance	Extensive performance evaluation, use and disposal

Internal influences:

- Perception
- Learning and memory
- Motives, personality, and emotion
- Attitudes

External influences:

- Australasian society: demographics and lifestyles
  - Consumer lifestyle = the goods and services bought, how they're used, how we think about them and feel about them
    - Total image we have of ourselves, manifestation as a result of culture and individual situations/experience that comprise existence
- Household
  - Primary purchasing unit for most consumer goods
  - Household life cycle helps develop ideas of needs and desires at each stage
- Reference groups
  - Transmit culture and social/class standing and awareness, value, knowledge that come from them
  - Interested in the flow of information to and through groups
- Social class
  - The variables that influence social status are useful to create benchmarks for expected consumption behaviours
- Culture
  - Consumer behaviour is often the product of a particular culture
- Values
  - The nature of values, and their shifting/dynamic attributes, imply the shifts for marketing strategy that are necessary to keep up

Injurious consumption – consumer behaviour that may be harmful to oneself or other

- A situation in which the product and/or packaging is discarded before or after use, *e.g. disposing of your old mattress before you buy a new one*

#### Russel Belk's **five dimensions of situational influence**

- Physical surroundings
  - Factors such as geographical location, décor, sounds, lighting and smell
- Social surroundings
  - Provides additional depth to a situations description. Includes the number of people present, their characteristics, interpersonal relationships and apparent roles.
  - Factors in the size of queues and crowding
  - Will there be high-profile people/celebrities shopping at the store
- Temporal perspectives
  - Factors in elements such as seasonality of the product, whether the product is required urgently (*e.g. travel insurance the night before, snack between class*) and how long the previous product lasted or was expected to last
- Task definition
  - Factors such as utilitarian vs. status symbol, decorative vs. long-lasting, gift vs. personal consumption
- Antecedent states
  - Moods are a transient state of mind that is generally not tied to a specific event or object
  - Momentary conditions are states of being, such as tiredness, not having a lot of money
  - These states may explain a lack of response to marketing material

#### **Strategic Implications**

- Developing a situational influence matrix (see below)
- Positioning the product based on situation
- Segmenting the market based on usage (*i.e. 1L tubs of ice-cream for people who enjoy ironically watching the Biggest Loser by themselves... Brettttt*)

### **Chapter 3 – Problem Recognition**

**Problem recognition** occurs when an individual's actual state differs from their desired state. The desire to resolve a recognised problem depends on

- the size of the difference between the desired and actual state
- the relative importance of the problem

There are three levels of **purchase involvement** which all have differing influences on the way in which consumers go through the consumer decision-making process (see flowchart):

- Low purchase involvement -> Habitual decision making
- Medium purchase involvement -> Limited decision making
- High purchase involvement -> Extended decision making

- Marketing sources
  - Sales personnel, advertising and websites
- Experiential sources
  - Inspection and product trial

In deciding whether to proceed with an external search, individuals will conduct a **cost benefit analysis** to determine whether the expected benefits from a search will exceed the expected costs. (There's a flow chart for this, but you guys are too clever for that... If I had a dollar for every use of Smart Art in this text book...)

### Strategy Implications

Use the flow chart the grid to pick a strategy (it's almost like Bingo!)

	Your strategy <i>decision making process</i> as a marketer		
Brand position	Habitual decision making (no search)	Limited decision making (limited search)	Extended decision making (extensive search)
Brand in evoked set	Maintenance strategy	Capture strategy	Preference strategy
Brand in not evoked set	Disrupt strategy	Intercept strategy	Acceptance strategy

### Evoked strategies

- **Maintenance strategy** aims to maintain current purchase behaviour in a situation where the brand is purchased habitually by the target market.
- **Capture strategy** aims to target consumers of limited decision making products, where brands are only evaluated on a few points such as price or availability. As a result marketers need to provide a large amount of information at the POP.
- **Preference strategy** aims to target consumers of extended decision making products, to cause consumers to choose a brand already within the evoked set. Brands like Apple, LG and IBM use this strategy.

### Not evoked strategies

- **Disrupt strategy** is a strategy promoted by marketers when their brand is not a part of the evoked set and the target market engages in habitual decision making. The aim is to completely disrupt the existing decision pattern.
- **Intercept strategy** works for brands not in the evoked set where the target market is engaged in limited decision making only. Objective is to reach and intercept the consumer while they are searching for information on brands in the evoked set.
- **Acceptance strategy** is engaged by marketers when their brand is part of the consumer's evoked set, and aims to become the preferred brand in the target segment by stating the brand's comparative superiority.

